

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 L-03 H-01 /094 W
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R 060707Z MAY 77
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 356
INFO AMCONSUL MELBOURNE
AMEMBASSY LONDON
USMISSION OECD PARIS
AMEMBASSY PARIS
AMCONSUL SYDNEY
AMEMBASSY TOKYO
AMCONSUL BRISBANE
AMCONSUL PERTH

LIMITED OFFICIAL USE CANBERRA 3203

E.O. 11652: N/A
TAGS: EALR, EGEN, EFIN, AS
SUBJECT: TREASURER ANNOUNCES SLIGHT CHANGES IN VARIABLE DEPOSIT
REQUIREMENT (VDR) RULES

REF: (A) CANBERRA 364, (B) CANBERRA 361

1. ON MAY 4 TREASURER LYNCH ANNOUNCED CERTAIN MOVES IN
ADMINISTRATION OF VDR POLICY DESIGNED TO REMOVE CERTAIN
ANOMALIES IN PRESENT ADMINISTRATION OF PROGRAM. HENCEFORTH
UNDER STRICTLY LIMITED CONDITIONS FINANCIAL INSTITUTIONS
WILL BE EXEMPT FROM THE VDR. THE EXEMPTION WILL ONLY APPLY
TO ON-LENDING FOR EXEMPT CAPITAL INVESTMENTS (I.E. INVEST-
MENTS IN MINING AND MANUFACTURING.) OVERSEAS BORROWINGS
BY THESE INTERMEDIARIES FOR PERIODS OF TWO YEARS OR MORE
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THAT ARE NOT FOR FINANCING EXEMPT CAPITAL INVESTMENTS WILL
CONTINUE TO BE SUBJECT TO VDR.

2. FOLLOWING YESTERDAY'S ANNOUNCEMENT FINANCIAL
INSTITUTIONS APPLYING TO RESERVE BANK FOR VDR EXMPETION,
AND WHERE APPROPRIATE, THE END USER OF THE FUNDS, WILL BE
REQUIRED TO SATISFY THE BANK THAT THE OVERSEAS FUNDS

WILL BE USED SPECIFICALLY AND SOLELY FOR PURPOSES
WITHIN THE EXEMPT AREAS.

3. IN MAKING HIS ANNOUNCEMENT LYNCH STATED THAT MOVE
FOLLOWED REPRESENTATION FROM MANY-MEDIUM SIZED MINING
AND MANUFACTURING FIRMS WHICH ARE UNABLE TO AISE
OVERSEAS CAPITAL ON THEIR OWN AND CLAIMED THEY WERE
DISADVANTAGED BY FACT THAT FINANCIAL INSTITUTIONS NOT
PREVIOUSLY EXEMPT, EVEN WHEN WISHING TO BORROW IN
BEHALF OF CLIENT'S PROJECT WHICH IN ITSELF WOULD HAVE
BEEN EXEMPT.

4. COMMENT: A TREASURY SOURCE TOLD EMBOFF THAT
ALTHOUGH THERE HAD INDEED BEEN SOME REPRESENTATIONS FROM
MEDIUM SIZED FIRMS, THE POLICY CHANGE WAS ESSENTIALLY
BROUGHT ABOUT FOLLOWING EXTREME PRESSURE FROM FINANCIAL
INSTITUTIONS THEMSELVES. ALTHOUGH LOCAL PRESS
HEADLINED VDR CHANGES AS A "RELAXATION" OF RULES, TREASURY
SOURCE TOLD US THAT MOVE SHOULD IN NO WAY BE SEEN AS A
RELAXATION, BUT RATHER AS A MOVE DESIGNED TO SMOOTH OUT
CERTAIN ANOMALIES IN POLICY AS PREVIOUSLY ADMINISTERED.
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Message Attributes

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Sent Date: 06-May-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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Disposition History: n/a
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Disposition Remarks:
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TAGS: EALR, EGEN, EFIN, AS
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